



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 29, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PUBLIC DEFENDER – PAYROLL/PERSONNEL REVIEW**

In 2007, your Board instructed the Auditor-Controller (A-C) to develop a risk-based plan to audit payroll/personnel operations in all County departments. In accordance with the developed plan, we completed a review of the Public Defender's (PD or Department) compliance with County payroll and personnel policies, and use of the County's electronic Human Resources (eHR) System.

PD staff are responsible for payroll functions, such as overtime controls, bonus eligibility, recording time and attendance, processing employee terminations, data security, and industrial accident payments. Other PD-related payroll functions, such as processing timecard adjustments, verifying leave accounting transactions, etc., are performed by the A-C's Shared Services Division per Service Level Agreement. This review was limited to the payroll functions performed by the PD. We will review the functions performed by Shared Services separately.

Summary of Findings

We noted that the PD properly monitors industrial accident cases, maintains appropriate file security, and enters payroll data timely. However, the PD needs to strengthen its controls over other areas of its payroll/personnel operations, and the eHR System. The following are examples of areas for improvement:

- The Department needs to ensure that non-emergency overtime is pre-approved and documented appropriately, and that management reviews the Overtime Activity Reports. We noted that PD does not document overtime pre-approvals, and that management does not review the Overtime Activity Reports.

PD's attached response indicates that they have revised their timekeeping policy and procedures to clarify their requirements for pre-approval and documentation of overtime, and that they have conducted training on the revised policy. In addition, the Department is developing procedures for reviewing the Overtime Activity Report.

- The Department needs to verify employees' bonus eligibility annually, and maintain all bonus documentation. PD does not review bonuses annually, and we noted that the Department did not have adequate documentation for five (50%) of ten bilingual bonuses reviewed.

PD's attached response indicates that they have implemented a Bonus Review Desk Procedure to ensure staff verify bonus eligibility, and maintain all bonus documentation.

- eHR Time Collection system procedures allow other employees to complete time sheets for employees who are not available to complete their own time sheets (proxied timed). However, employees must review and certify time sheets that are completed for them by proxies, and proxies should not submit and approve the same time sheets. We noted that, for eight (53%) of 15 proxied time sheets reviewed, the employees did not certify the accuracy of the reported time. In addition, two (13%) of 15 proxied time sheets were submitted and approved by the same employees.

PD's attached response indicates that they have trained staff to review and certify proxied time sheets, and that management now reviews the eHR "Audit Trail Report" after each pay period to ensure proxied time sheets were not submitted and approved by the same employees.

- PD needs to improve controls over payroll distributions. We noted that staff who receive and sort payroll warrants (for employees who still receive warrants) are not independent of Payroll/Personnel, and employees sometimes receive advance notice of employee verifications (payoffs).

PD's attached response indicates that the Department's Fiscal Unit staff now receive, sort, and distribute payroll warrants. In addition, Fiscal Unit staff will ensure that payoffs are conducted on an unannounced basis.

- The Department needs to immediately investigate all payroll irregularities, such as inconsistencies identified during their annual payoffs. At the time of our review, PD had 15 unclaimed notices of direct deposit that had not been investigated.

PD's attached response indicates that the Department's Fiscal Unit staff now immediately investigates all payroll irregularities.

We also noted that PD can improve its controls over employee termination processing, and eHR user security.

Although this report is a review of PD's Payroll/Personnel operations, we recommend that other County departments review the findings in this report, and ensure the necessary controls are in place.

Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed the results of our report with PD management. The Department's response (Attachment II) indicates agreement with our findings and recommendations, and that they have either implemented, or have started implementing, all of the recommendations.

It should be noted that PD implemented eHR in April 2012. Because of this recent change, some of our findings and recommendations address the prior system; CWTAPPS. The PD will address these recommendations in eHR where applicable.

We thank PD management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MP

Attachments

c: William T Fujioka, Chief Executive Officer
Ronald L. Brown, Public Defender
Georgia Mattera, Deputy Chief Executive Officer, Public Safety Cluster
Department Heads
Public Information Officer
Audit Committee

**PUBLIC DEFENDER
PAYROLL/PERSONNEL REVIEW**

Background

The Public Defender (PD or Department) has approximately 1,200 employees in 39 offices throughout the County. PD employees enter their time information directly into the County's eCAPS Time Collection System (Time Collection System). The Department's Human Resources Division (HR) uses the County's electronic Human Resources System (eHR) (previously the Countywide Timekeeping and Payroll/Personnel System, or CWTAPPS) to obtain employee leave balances and industrial accident information; to process personnel actions, such as hires/terminations; and to maintain personnel data, including hire dates, social security numbers, and County employment history.

PD implemented eHR in April 2012. Because of this recent change, some of our findings and recommendations address the prior system; CWTAPPS. The PD will address these recommendations in eHR where applicable.

Scope

PD staff are responsible for payroll functions, such as overtime controls, bonus eligibility, recording time and attendance, processing employee terminations, data security, and industrial accident payments. Other PD-related payroll functions, such as processing timecard adjustments, verifying leave accounting transactions, etc., are performed by the A-C's Shared Services Division. This review was limited to the payroll functions performed by the PD. We will review the functions performed by Shared Services separately.

We reviewed PD's compliance with County payroll and personnel processing policies, including the County Fiscal Manual (CFM). Our review included interviews with staff, and tests of PD payroll functions. .

COMMENTS AND RECOMMENDATIONS

Overtime Approval and Monitoring

PD policy requires that all non-emergency overtime to be pre-approved. We reviewed 79 non-emergency overtime shifts reported by ten high-overtime earners, and noted that the Department did not document the overtime pre-approvals. PD management indicated that supervisors give employees verbal pre-approvals for each overtime shift. However, PD should ensure that these pre-approvals are documented.

CFM Section 3.1.9 also requires management to review, sign, and date the Overtime Activity Report each pay period, indicating that employee overtime is accurate and appropriately approved. We noted that, while the PD is responsible for reviewing the Overtime Activity Report, the Department does not review and annotate the Report.

Recommendations

PD management:

- 1. Ensure that all non-emergency overtime is pre-approved and appropriately documented.**
- 2. Review and annotate the CWTAPPS Overtime Activity Report to ensure overtime is accurate and appropriately approved.**

Bonus Documentation

Employees receive bonuses for special skills or performing additional duties (e.g., bilingual bonus, out-of-class assignments, etc.). CFM Section 3.1.8 requires departments to have appropriate documentation in the employees' personnel files, and verify employee eligibility for bonuses each year.

Five (50%) of ten employees reviewed who were receiving bilingual bonuses did not have either the Language Proficiency Certificate or the bonus approval form in their personnel files. As a result, the Department cannot document that the employees were eligible for the bonuses. We also noted that the Department does not review all bonuses annually, as required.

Personnel management should keep supporting documentation for all bonuses, verify employee eligibility for bonuses annually, and terminate bonuses of ineligible employees.

Recommendations

PD Human Resources:

- 3. Keep supporting documentation for all bonuses.**
- 4. Verify employee eligibility for all bonuses annually, and terminate bonuses of ineligible employees.**

Time and Attendance

The eHR Time Collection System requires employees to complete on-line time sheets to account for their time. If an employee is unavailable, a designated proxy may enter the employee's hours worked, time off, etc. on the employee's electronic time sheet.

Proxy Timecard Certification and Controls

CFM Sections 3.1.6 and 3.1.7 require employees to certify the accuracy of their reported time, and to review and certify time sheets that are completed for them by proxies (proxied time sheets). PD policy also requires employees to review and sign a hardcopy time sheet to certify that the proxied time sheet is correct. Proxies input time for approximately 13% of the PD's employees each pay period, primarily for employees who are on long-term leave, out of the office when time sheets are due, etc.

PD employees did not review/certify eight (53%) of 15 proxied time sheets reviewed. PD management needs to ensure employees certify their proxied time sheets as required by County and Departmental policy.

CFM Section 3.1.7 states that proxies should not submit and approve the same time sheet. However, two (13%) of the 15 proxied time sheets were submitted and approved by the same employees.

Recommendations

PD management:

- 5. Ensure employees certify the accuracy of proxied time sheets by signing a hardcopy of the time sheet.**
- 6. Ensure that proxies do not submit and approve the same time sheets.**

Payroll Distribution

While most County employees are on direct deposit, a few PD employees still receive payroll warrants. CFM Section 3.1.12 requires departments to assign someone who does not work in the payroll and personnel areas to receive, sort, and distribute payroll warrants, and investigate unclaimed warrants or notices of direct deposit (notices) to ensure that all employees are bona fide. The CFM also requires departments to conduct unannounced employee verifications ("payoffs") at least once every 12 months.

We noted that PD staff who receive and sort payroll warrants are not independent of Payroll/Personnel. In addition, at the time of our review, PD had 15 unclaimed notices that the Department had not investigated. While we confirmed that all 15 employees were bona fide, the Department should have investigated why the notices were unclaimed.

In September 2011, the PD implemented Paystub Viewer, which eliminates hardcopy notices of direct deposit, and allows employees to view their pay information online. While PD no longer distributes notices of direct deposit, the Department still needs to ensure that they immediately investigate all payroll irregularities, such as individuals on the Department's payroll who may not be bona fide employees, unclaimed payroll warrants, etc.

PD management also notified employees in two (40%) of five branch offices reviewed in advance that they would be conducting payoffs. Notifying employees of payoffs in advance defeats their purpose.

Recommendations

PD management:

- 7. Ensure staff with no payroll/personnel responsibilities receive and sort payroll warrants.**
- 8. Immediately investigate all payroll irregularities, such as inconsistencies identified during annual payoffs.**
- 9. Ensure payoffs are conducted on an unannounced basis.**

Terminations

CFM Section 3.1.8 requires personnel management (or someone independent of entering job changes, time cards, and/or terminations) to keep a list of terminated employees, and trace the terminated employees' names to the Payroll Sequence Register for at least three consecutive months to ensure that terminated employees are not being paid.

We noted that the person who prepares and maintains the list of terminated employees, and traces it to the Payroll Sequence Register, also processes terminations.

Recommendation

- 10. PD Human Resources ensure Personnel management (or someone independent of entering jobs, time cards, and/or terminations on CWTAPPS) maintains a list of terminated employees, and traces terminated employees' names to the Payroll Sequence Register after the employees terminate.**

Payroll System Security

CFM Section 8.6.3 requires employees with access to County computer data to sign an acknowledgement that they have read and understand the Department's security policy. CFM Section 3.1.5 requires departments to review, annotate, sign, and date the payroll system security profile listing quarterly, to ensure profiles are restricted to the scope of the employees' job responsibilities.

Two (14%) of 14 PD payroll system users reviewed did not have signed acknowledgements. In addition, PD staff did not annotate, sign, or date the security reports to indicate they had been reviewed. PD management stated that they do review the security reports as required. However, the Department needs to ensure that their reviews are documented.

Recommendations**PD management:**

- 11. Ensure that all employees with access to County computer data sign an acknowledgement of the Department's security policy.**
- 12. Ensure that CWTAPPS security reports are annotated, signed, and dated by the person reviewing them.**

Desk Procedures

In a December 16, 2009 memo, we recommended that all departments develop specific desk procedures to outline employees' duties, and the steps required to complete assignments. Desk procedures can help employees maintain consistency, effectiveness, and compliance with County policies and procedures.

The PD has not developed specific desk procedures for payroll and personnel assignments. Personnel management indicated that employees already have access to various County manuals, such as the CFM and the Department of Human Resources Interpretive Manual, and that desk procedures are not necessary. However, County manuals do not outline employees' duties and steps required to complete assignments. As a result, some of the issues previously noted in PD's payroll and personnel operations, such as not reviewing Overtime Activity Reports or performing annual bonus reviews, may have been minimized if the Department had desk procedures.

Recommendation

- 13. PD management develop and implement specific desk procedures for payroll and personnel assignments.**



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March 6, 2011

To: Wendy L. Watanabe
Auditor-Controller

From: Ronald L. Brown *RLB*
Public Defender

Subject: **RESPONSE TO AUDITOR-CONTROLLER'S PAYROLL/PERSONNEL
REVIEW – PUBLIC DEFENDER (670)**

Attached is the Public Defender's response to the recommendations proposed by the Auditor-Controller's in the report of its Payroll/Personnel Review. We are in agreement and we have taken or initiated actions to address and implement the recommendations contained in the report.

If you have any questions or require additional information, please have your staff contact Departmental Human Resources Manager Corrine Cortinas at (213) 974-2800 or via email at ccortinas@pubdef.lacounty.gov.

RLB:cec

Attachment

c: Elaine Palaologos, Admin. Deputy PD
Corrine Cortinas, DHRM II

County of Los Angeles – Public Defender (PD) Department (670)

Response to Auditor-Controller Payroll/Personnel Review

Auditor Controller Recommendation #1

Ensure that all non-emergency overtime is pre-approved and appropriately documented.

PD Response:

Agreed. Implemented. In addition to the Auditor Controller's recommendation, the PD Department revised the Department's Policy and Procedure C-7 Overtime to incorporate and reflect directives pursuant to the Chief Executive Office (CEO) memo to all Department Heads dated February 1, 2011. On March 10, 2011, the Departmental Human Resources Manager (DHRM) also conducted training on the revised policy.

Auditor Controller Recommendation #2

Review and annotate the CWTAPPS Overtime Activity Report to ensure overtime is accurate and appropriately approved.

PD Response:

Agreed. Full implementation pending. The Department is currently working on a method to collect information on all employees who work overtime. We plan to create a mechanism to streamline collection of overtime data from our branch and area supervisors, either through TIMEI or with the implementation of eHR. Meanwhile, the Department Head has implemented PD Policy C-7 Overtime and all Departmental MAPP managers and non-MAPP managers and supervisors were trained. During training, emphasis was placed on managerial accountability towards the policy and procedure points of Policy C-7 that specifically outline managerial and supervisorial responsibilities. Managers and supervisors are accountable for carrying out the revised overtime policy and procedure implemented on March 1, 2011.

Auditor Controller Recommendations #3 and #4:

Keep supporting documentation for all bonuses.

Verify employee eligibility for all bonuses annually, and terminate bonuses of ineligible employees.

PD Response:

Agreed. Implemented. The Department's Human Resources management retains all supporting documentation of all employee bonuses and verifies eligibility of new requests for bonuses and the continued eligibility of employees who are receiving bonuses. An Internal Bonus Review Desk Procedure was implemented for use by HR technical staff to carry out as routine practice.

Auditor Controller Recommendation #5:

Ensure employees certify the accuracy of proxy time sheets by signing a hardcopy of the timesheet.

PD Response:

Agreed. Implemented. PD employees and Departmental timekeepers were trained and are fully compliant with CFM requirements and PD Departmental policy.

Auditor Controller Recommendation #6:

Ensure that proxies do not submit and approve the same time sheets.

PD Response:

Agreed. Implemented. PD HR management reviews the eCAPS "Audit Trail Report" after each pay period to monitor compliance in this and other areas of time collection processing.

Auditor Controller Recommendation #7:

Ensure staff with no payroll/personnel responsibilities receive and sort payroll warrants.

PD Response:

Agreed. Implemented. The Department's Fiscal Unit staff receive, sort and distribute payroll warrants. Although the Department has implemented Paystub Viewer, our Fiscal staff continue to receive eleven (11) payroll warrants each payday for employees who do not participate in Direct Deposit. Notices of Direct Deposit are no longer distributed.

Auditor Controller Recommendation #8:

Immediately investigate all payroll irregularities, such as inconsistencies identified during annual payoffs.

PD Response:

Agreed. Implemented. The Department's Fiscal Unit staff immediately investigates all payroll irregularities.

Auditor Controller Recommendation #9:

Ensure payoffs are conducted on an unannounced basis.

PD Response:

Agreed. Implemented. The Department's Fiscal Unit staff will ensure annual payoffs will be conducted on an unannounced basis.

Auditor Controller Recommendation #10:

PD Human Resources ensure Personnel management (or someone independent of entering jobs, time cards and/or terminations on CWTAPPS) maintains a list of terminated employees, and traces terminated employees' names to the Payroll Sequence Register after the employees terminate.

PD Response:

Agreed. Implemented. The Department's Fiscal Unit staff will maintain a list of terminated employees and track their names to the Payroll Sequence Register for three (3) consecutive months subsequent to termination to ensure they are not being paid.

Auditor Controller Recommendation #11:

Ensure that all employees with access to County computer data sign an acknowledgement of the Department's security policy.

PD Response:

Agreed. Implemented. PD HR management maintains a file that contains the CWTAPPS User Enrollment form, CWTAPPS Internal Control Questionnaire, Agreement for Acceptable Use, and Confidentiality of L.A. County's Information Technology Assets, Computers, Networks, Systems and Data. Filed within are completed forms for each authorized user/employee in the PD HR Division.

Auditor Controller Recommendation #12:

Ensure that CWTAPPS security reports are annotated, signed, and dated by the person reviewing them.

PD Response:

Agreed. Implemented. PD HR management reviews, annotates, signs and dates all CWTAPPS security reports. We will ensure we obtain the equivalent reports after the April 1, 2012 implementation of eHR.

Auditor Controller Recommendation #13:

PD management develop and implement specific desk procedures for payroll and personnel assignments.

PD Response:

Agreed. Implementation in progress. PD HR management is currently developing specific desk procedures for each task performed by HR technical staff. Desk procedures will be modified as necessary to incorporate tasks and procedures introduced/implemented by eHR.

cec/March 6, 2012